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PASS COMMERCE FOR FOREIGN INVESTMENT SERVICES STAFF, OED

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TAGS: BTIO, NL

SUBJ: SALE OF SINGER BUSINESS MACHINES COMPANY PLANT
IN NIJMEGEN

1. SUMMARY. AFTER EIGHT MONTHS OF SOMETIMES DISCOURAGING AND ALWAYS DIFFICULT NEGOTIATIONS, SINGER ON MARCH 19 SUCCESSFULLY CONCLUDED EFFORTS TO SELL ITS PLANT IN NIJMEGEN. BUYER IS BRITISH FIRM BASED IN GENEVA, TEALTRONIC. MAJOR FACTOR BEHIND AGREEMENT IS DUTCH GOVERNMENT. BENEFITTING FROM SALE IS REPUTATION OF US INDUSTRY. END SUMMARY.

2. SINGER BUSINESS MACHINES B.V., SUBSIDIARY OF SINGER COMPANY IN US, TURNED OVER ITS PLANT IN NIJMEGEN ON MARCH 19 TO TEALTRONIC B.V., NEWLY ESTABLISHED DUTCH SUBSIDIARY OF BRITISH FIRM WHICH OPERATES OUT OF GENEVA. WITH PLANT GO MACHINES, INVENTORIES, FILES, LEASES ON PROPERTY SUCH AS CARS, AND, MOST IMPORTANT, CONTRACTS OF SOME 400 OF SINGER'S REMAINING 500-ODD EMPLOYEES. SINGER B.V. WILL REMAIN IN OPERATION AMONG OTHER THINGS TO HANDLE WELFARE AND REEMPLOYMENT OF THOSE WORKERS NOT TAKEN ON BY TEALTRONIC.

3. TEALTRONIC BOUGHT PLANT IN ORDER TO CONTINUE PRODUCTION OF AT LEAST TWO OF SINGER'S PRODUCTS (INCLUDING FLEXOWRITER), FOR WHICH THERE IS STILL MARKET IN UK.

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IT WOULD NOT HAVE DONE SO, HOWEVER, HAD IT NOT BEEN FOR

SUBSTANTIAL INTERVENTION BY DUTCH GOVERNMENT. UNDER GENERAL LEADERSHIP OF ECONOMICS MINISTER LUBBERS AND SOCIAL AFFAIRS MINISTER BOERSMA, AND DIRECT HELP BY LUBBERS' AIDE, DIRECTOR GENERAL FOR INDUSTRY MOLKENBOER, GON PUT TOGETHER 25 MILLION GUILDER PACKAGE TO ENSURE SALE. SINGER VICE PRESIDENT VERNON BROWN GAVE US FOLLOWING DETAILS OF PACKAGE, ASKING THAT THEY NOT BE MADE PUBLIC: GON GUARANTEED \$1 MILLION FOUR-YEAR LOAN PLUS MORTGAGE OF UNSPECIFIED AMOUNT ASSUMED BY TEALTRONIC; NOTE SECURING LOAN IS TO BEAR INTEREST AND BE DISCOUNTABLE AT FACE VALUE (SINGER DISCOUNTED NOTE, TOOK CASH); GON ALSO TOOK 40 PERCENT EQUITY INTEREST, WHICH CAN BE ASSUMED BY TEALTRONIC AT LATER STAGE; GON WILL BE REPRESENTED ON BOARD OF DIRECTORS. IN RETURN TEALTRONIC GUARANTEED EMPLOYMENT FOR 400 PEOPLE FOR THREE YEARS. (IN PERIOD FROM MARCH 1, WHEN SINGER WAS AUTHORIZED BY GON TO CLOSE, AND MARCH 19, SALARIES OF 400 HAVE BEEN PAID BY TEALTRONIC WITH 100 PERCENT GON MONEY. GOVERNMENT WAS WILLING TO DO THIS SINCE, IF THERE HAD BEEN NO SALE, IT WOULD HAVE HAD TO BEAR 80 PERCENT OF EXPENSIVE WELFARE PAYMENTS, WITH SINGER CARRYING REMAINING 20 PERCENT.)

4. COMMENT: GON APPARENTLY WAS ABLE TO ACT IN THIS INSTANCE UNDER RECENT LEGISLATIVE AUTHORITY TO EXTEND DIRECT HELP TO BUSINESS IN ORDER TO MAINTAIN EMPLOYMENT. LACKING PUBLISHED GUIDELINES, IT HAS MADE THEM UP AS IT WENT ALONG. BROWN DESCRIBES MOLKENBOER'S APPROACH TO SOLVING THIS PROBLEM AS HAVING BEEN: "SHOW ME A DEAL AND IF I LIKE IT, WE'LL GO AHEAD WITH IT". MOLKENBOER INSISTS THAT THIS UNPRECEDENTED GOVERNMENT INTERVENTION SHOULD NOT BE CONSIDERED A PRECEDENT, BUT IT IS HARD TO SEE HOW GON CAN AVOID REFERRING BACK TO LANDMARK SINGER CASE FOR GUIDANCE IN FUTURE.

5. FOR US INDUSTRY, OUTCOME IS ESPECIALLY WELCOME. SEVERAL AMERICAN COMPANIES HAVE ENCOUNTERED PRESS CRITICISM IN LAST FEW MONTHS AS RECESSION FORCED THEM TO PLACE EMPLOYEES ON SHORT TIME, LAY THEM OFF, OR CLOSE PLANT. SINGER CASE WAS MOST NOTABLE EXAMPLE. CONSIDERABLE EFFORT WAS MADE BY SINGER, WITH EMBASSY HELP, TO FIND SOLUTION. WHEN LIMITED OFFICIAL USE

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INITIAL ATTEMPT TO FIND WAYS TO CONTINUE PRODUCTION BY SINGER PROVED FAILURE, FOCUS SHIFTED TO SALE. EMBASSY HELPED WHENEVER NECESSARY TO PROD GON TO ACT, AND ALSO ASSISTED IN PUBLIC RELATIONS EFFORT, INCLUDING ORGANIZING TOUR OF NIJMEGEN PLANT BY PRESS AND FOREIGN EMBASSY COMMERCIAL REPRESENTATIVES (HAGUE 4793, SEPT 27, 1974). PART PLAYED BY EMBASSY WAS ACKNOWLEDGED BY GON AT TIME OF ANNOUNCEMENT FEBRUARY 27 OF AGREEMENT IN

PRINCIPLE FOR SALE. EMBASSY IN TURN ISSUED PRESS RELEASE
GIVING CREDIT TO LUBBERS, BOERSMA AND MOLKENBOER.
GOULD

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